Verisante Technology, Inc

Management's Discussion and Analysis
Year ended December 31, 2014

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Management's Discussion and Analysis

Year ended December 31, 2014

The following Management Discussion and Analysis ("MD&A") for Verisante Technologies, Inc. is intended to provide an overview of operations, financial performance and the current and future business environment. This MD&A, prepared as of April 15, 2015, should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2014.

Forward looking statements

This MD&A contains forward-looking statements that are not based on historical fact, including without limitation statements containing the words "believes", "may", "plan", "will", "estimate", "continue", "anticipates", "intends", "expects", and similar expressions, including the negative of such expressions. These statements are only predictions.

Forward-looking statements and information should be considered carefully. Undue reliance should not be placed on forward-looking statements and information as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements and information involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, which contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements and information will not occur and may cause actual results or events to differ materially from those anticipated in such forward-looking statements and information. This MD&A may contain forward looking statements and information concerning the potential of Verisante and the timing of market acceptance of the Company's products. It may also contain assumptions made by Verisante related to industry scope and state, production, revenue, expenses, plans, development schedules and similar.

There are factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements and information. Verisante disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements or information contained herein to reflect future results, events or developments, except as required by law.

More information on the Company may be found through the Company's previous filings and are available on www.sedar.com

Management's Responsibility for Financial Reporting

This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the MD&A.

Unless otherwise noted or the context otherwise indicates, "Verisante", the "Company", "we", "us" and "our" refer to Verisante Technologies, Inc. All dollar amounts in this report refer to Canadian dollars unless otherwise indicated. Disclosure of information in this report has been limited to that which management has determined to be "material", on the basis that omitting or misstating such information would influence or change a reasonable investor's decision to purchase, hold or dispose of securities in the Company

The primary objectives of the Company's MD&A are:

- To provide information regarding the Company's competitive environment or the market in which the Company operates to facilitate an informed analysis of the consolidated financial statements.
- To provide an explanation of our financial statements from management's perspective.
- To provide information allowing readers to assess the Company's past performance and determine whether it is likely to be reflected in future performance.

OVERVIEW

Description of Business

Verisante Technology, Inc. is a medical device company incorporated in March 2006 to bring together a team of high-level academic researchers, medical device industry experts, and corporate finance professionals to execute a targeted product strategy focused on the detection of cancer.

Verisante has licensed the exclusive world wide rights to a technology developed by the BC Cancer Agency and the University of British Columbia and refined and tested at the Skin Care Centre at Vancouver General Hospital, for in vivo, real-time, non-invasive skin lesion measurements for the detection of skin cancer.

The device, Verisante Aura™, can be used for the detection of all forms of skin cancer, including basal cell carcinoma, squamous cell carcinoma and melanoma.

The platform technology upon which Aura™ is based is also fully extendible to detection systems for other types of cancers. In addition to the rights for skin cancer detection, Verisante has licensed the exclusive world-wide rights to other applications that include lung, gastro-intestinal, colorectal and cervical cancers and has optioned the rights to nasopharyngeal cancer. The Verisante Core™ series of devices will focus on these types of cancers.

As part of a broader acquisition strategy to enhance the Company's intellectual property portfolio of different technologies that detect cancer, Verisante also holds the exclusive world-wide rights to a Multispectral Imaging Camera (MSI), which it licensed directly from the inventors, Dr. Haishan Zeng and Dr. Yasser Fawzy of the BC Cancer Agency, for skin cancer and oral cancer detection. In addition to MSI, the Company purchased certain rights related to white light reflectance imaging and fluorescence imaging when it purchased the ClearVu and ClearVu Elite systems and related intellectual property in 2011 through an asset purchase agreement.

The Market

Skin Cancer

Skin cancer is the most common form of cancers in the world, with the World Health Organization reporting one in every three cancers diagnosed is a skin cancer. The incidence of both non-melanoma and melanoma skin cancers have been increasing at a rate of approximately 3% per year. One in seven Canadians will develop skin cancer during their lifetime while one in five Americans will and over 3.5 million cases of skin cancer are diagnosed annually in the USA. The American Cancer Society estimates that about 76,600 new melanomas (the deadliest form of skin cancer) will be diagnosed in the United States in 2014.

Malignant melanoma has become a major health problem in the western world with disease incidence increasing faster than most other cancers. Currently, the most effective method to combat the disease is early detection. Melanoma is lethal in 85% of cases after metastasis. However, when diagnosed very early, survival rate can be as high as 99% - highlighting the need for sensitive screening and early detection.

Furthermore, treating melanoma alone costs $1.5 billion annually in the United States and advanced stage melanoma is 22 times more costly than treating early stage melanoma.

SKIN CANCER FACTS

- Strikes 1 in 5 in the U.S.
- Most common form of cancer
- 40-50% of Americans who live to 65 expected to get non melanoma skin cancer
- Melanoma kills one person every hour in the US.
- Melanoma is the no. 1 cancer killer of women 25-30
- Incidence of melanoma rising faster than any other type of cancer

Current Method for Diagnosing Skin Cancer

Currently, primary diagnosis of skin cancer is by dermatologists or general practitioners with varying levels of experience, and full body examinations are seldom conducted.

The definitive diagnosis ultimately requires excision of the suspect lesion, an sometimes undesirable, and in many cases impractical solution, especially in individuals with many suspect lesions. According to a paper by Welch, et al. based on SEER data from the National Cancer Institute, US physicians typically biopsy more than 40 suspicious lesions to find one melanoma.

Consequently, there is a need for a device that can assist medical professionals to rapidly screen and distinguish skin cancer from other more benign lesions. Such a device will be valuable not only to dermatologists, but also to general practitioners who are responsible for flagging suspicious lesions and referring patients to dermatologists for follow up.

Other Cancers

Lung Cancer

It is estimated that more than 21,000 Canadians will die this year from lung cancer, while according to the National Cancer Institute, in the United States the estimated number of new cases of lung cancer is

expected to be 228,190 and estimated deaths to be 159,480. Lung cancer is the leading cause of cancer related deaths in both men and women and lung cancer recently surpassed heart disease as the leading cause of smoking-related mortality. More people die from lung cancer than breast cancer, colorectal cancer and prostate cancer combined.

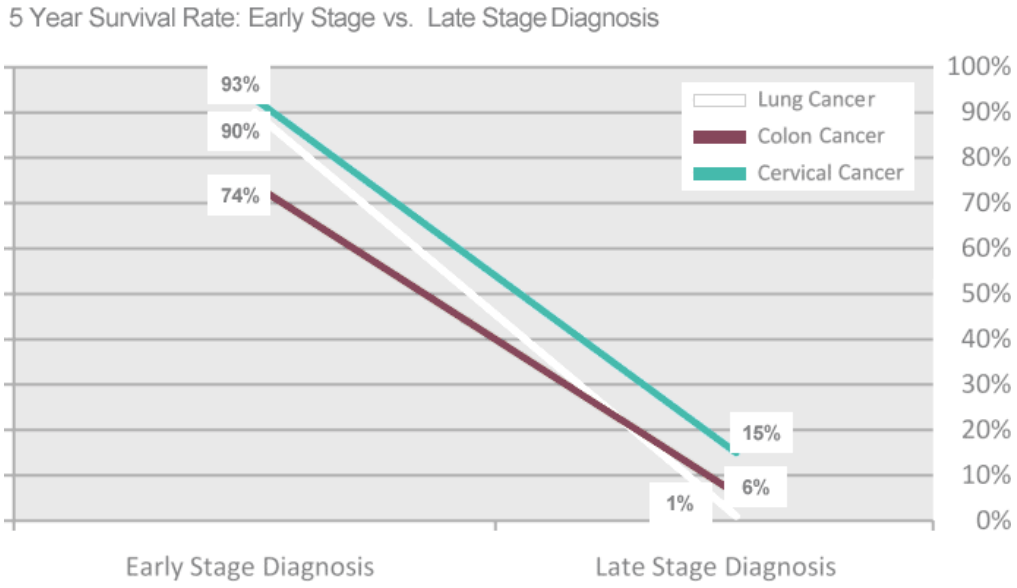
Colorectal Cancer

Colorectal cancer is the second-leading cause of cancer death in Canada and the third most common cancer in the United States as well as the second leading cancer killer. Every year in the United States there are more than 100,000 new cases of colon cancer and 40,000 new cases of rectal cancer. Over 50,000 deaths are expected to occur as a result of colorectal cancer this year.

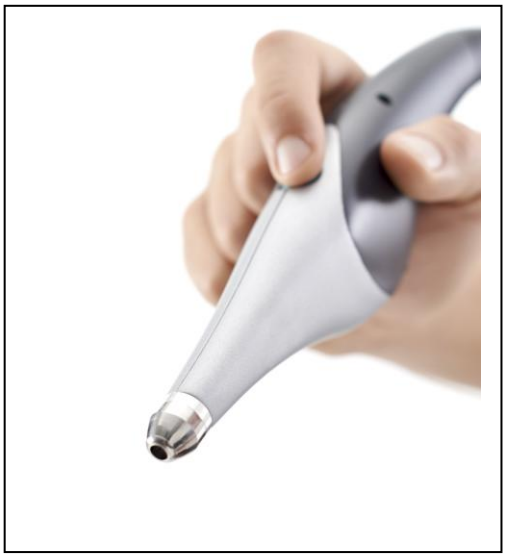
Cervical Cancer

Worldwide, cervical cancer is the fifth most common cancer in women with approximately 500,000 cases diagnosed each year. In less developed countries, this type of cancer is the second most common in women and accounts for up to 300,000 annual deaths. Although the average age of diagnosis is 50, women as young as 17 may develop cervical cancer.

The following table shows the 5 year survival rate for lung, colon and cervical cancer for early stage versus late stage diagnosis:



PRODUCT PORTFOLIO



Verisante Aura™

Verisante Aura™ is a spectroscopy system designed to aid in the detection of skin cancer. This system provides valuable information about the chemical composition of the skin quickly and non-invasively. Aura™ scans for different spectral markers in under a second, providing immediate, accurate results.

Jointly developed by the BC Cancer Agency and the University of British Columbia, and tested at the Skin Care Centre at Vancouver General Hospital, this patent protected technology has already been used in a human clinical study spanning six years on approximately 1,000 lesions.

Skin cancer is currently diagnosed based on visual examination by a clinician, followed by a biopsy of suspicious lesions. Previous research has shown that the accuracy of clinicians in correctly diagnosing skin cancer is highly variable and dependent upon the level of formal training and experience of the clinician. Biopsy ratios (the number of non-melanoma lesions that undergo biopsy for each confirmed melanoma) can range from 58:1 to 21:1, for new versus experienced general practitioners, and could be as high as 200:1 if all atypical pigmented lesions were to be biopsied to rule out melanoma.

Results which were published in March 2012 in *Cancer Research*, a peer reviewed journal of the American Association of Cancer Research showed that when using Aura™ to diagnose melanoma versus benign pigmented lesions, at a sensitivity of 99 per cent and a specificity of 15 per cent, the biopsy ratio would be 5.6:1 and with a sensitivity of 90 percent and a specificity of 68 per cent, the biopsy ratio can be as low as 2.3:1. At a sensitivity of 95 per cent and a specificity of 44 per cent, the biopsy ratio could decrease to 3.8:1. When using Aura™ to diagnose skin cancer and pre-cancerous lesions versus benign lesions, at a sensitivity of 99 per cent and a specificity of 17 per cent, Aura™ has a biopsy ratio of 1.03:1.

Sensitivity and specificity are statistical measures of performance. Sensitivity measures the proportion of actual positives which are correctly identified as such, while specificity measures the proportion of negatives which are correctly identified as such.

This diagnostic tool has the ability to greatly aid healthcare professionals, delivering significant clinical impact and lowering healthcare costs through improved patient

outcomes and reduced wait times.

Aura™ can help to automate the current process of diagnosis, allowing rapid scanning of the 20 – 40 skin lesions on "at risk" individuals and eliminating wait times to see a dermatologist, as scans may be accomplished quickly by trained technicians or assistants. Aura™can decrease patient wait times, thereby increasing the standard of care; while also decreasing healthcare costs by helping to detect skin cancer in its early, most easily treatable stages.

The Verisante product development team is led by pioneers in the field of cancer imaging. In addition, the Company is proud to have world renowned experts in early cancer detection involved with our technical and medical team.

Aura™ has been approved for sale in Canada, Europe and Australia at this time.

Revenue Model

Aura™ devices are sold on a per unit basis, with pricing dependent on negotiations with Distributors and/or the final customer. The device also requires the use of a disposable tip that must be replaced after each use for health/sanitary reasons. Thus, in addition to revenue from initial sales of the device, the Company will also have a recurring revenue stream.

Verisante Core™

The platform technology behind Verisante Aura™ is fully extendible to detection systems for other cancers.

Verisante Core™ uses an endoscopic attachment to aid in the detection of lung, colon, cervical, and other cancers. This original, proprietary technology will help to save lives by enabling the diagnosis and treatment of these diseases.

There are currently independent studies underway at the BC Cancer Agency the Core™ technology for the detection of lung and colon cancers using the Core™. These independent studies are 100% funded by both government granting agencies and NGOs and are being conducted by the BC Cancer Agency. The Corporation anticipates that after Aura™, our second product to market will be the Core™ for lung cancer detection.

The lung cancer clinical trials conducted at the BC Cancer Agency and led by Dr. Stephen Lam have recently been concluded and Raman spectra have been collected from more than 300 malignant and benign lesions for analysis.

The current study builds on the initial success of the pilot study using an improved Raman system. The pilot study was able to obtain clear in vivo Raman spectra in one second and pre-neoplastic lesions were detected with a sensitivity of 96 percent and a specificity of 91 percent.

A colonoscopy Raman probe has also been successfully developed by Dr. Zeng's team at the BC Cancer Agency. A clinical study led by Dr. Isabella Tai for colon cancer is now being conducted by the BC Cancer Agency. So far, measurements on two patients have confirmed the functionality of the probe and the quality of the acquired Raman spectra.

The company also entered into a collaboration for a study on nasopharyngeal cancer in China with Fujian University Normal University (the "University") and the BC Cancer Agency. The University will be using a nasopharyngeal endoscopic laser Raman system in a study to detect cancerous lesions in the nasopharynx (the upper part of the throat behind the nose). Verisante provided the University with a ClearVu Elite fluorescence endoscopy system, while Dr. Haishan Zeng of the BC Cancer Agency, developed the nasopharyngeal endoscopic Raman probe. Both the fluorescence imaging system and the Raman spectroscopy probe will be used in the detection and analysis of spectral data collected on patients in China at the Fujian Provincial Tumor Hospital.

The company entered into a further collaboration with the BC Cancer Agency and Imperial College Healthcare NHS Trust for brain tumour study. The Imperial College NHS Trust will be using Verisante's Core system to assist in ascertaining the margins between tumour and normal brain tissue.

Multispectral Imaging Camera

The Company has completed a second phase prototype of a rapid Multispectral Imaging camera ("MSI") system for skin cancer detection.

The MSI device is intended to assist medical professionals in the detection of all major forms of skin cancer. The device takes images of suspicious lesions with more than a dozen different wavelengths of light to capture real-time spectral images in a fraction of a second. These spectral images contain unique information about suspected skin lesions such as tissue oxygenation ratios, hemoglobin levels, melanin levels, scatter sizes, and other parameters.

The prototype system is undergoing laboratory testing at the BC Cancer Agency Research Centre prior to starting in vivo data collection for training the predictive algorithm for the device.

The MSI camera is intended to be a low cost, hand held, portable device that connects to a laptop computer via USB cable to assist in the detection of skin cancer and will be a notable addition to our existing product line. The company will also explore the possibility of combining the MSI camera with the existing Aura device to determine if the two different technologies produce higher accuracy when results are combined since they are measuring different parameters.

ClearVu and ClearVu Elite

Verisante owns all the rights to the ClearVu and ClearVu Elite endoscopy systems for early lung cancer detection through an asset purchase agreement entered into in 2011. The acquisition included a portfolio of 12 international patents, right to 5 additional patents jointly owned with the BC Cancer Agency, trade marks, data from a multi-site global clinical study, 5 ClearVu Elite Research Systems, one ClearVu bench prototype and other bronchoscopic and research related equipment for the detection of lung cancer.

The ClearVu™ system is a simultaneous white light and fluorescence real time video accessory which is used with a fiberoptic bronchoscope for lung cancer examinations. The ClearVu Elite™ has the addition of real time reflectance and fluorescence spectral analysis to assess the malignancy potential of suspicious lesions. An international multi-site clinical study involving bronchoscopies for lung cancer detection on 467 patients, and approximately 700 biopsies, was completed in 2007 with the ClearVu

Elite™ system with encouraging results. The technology is complementary to the Verisante Core™ which uses rapid Raman spectral analysis for the detection of lung cancer.

Intellectual Property

The following table represents a summary of the Company's product portfolio and intellectual property:

Product Name	**Patents/IP**		
	Patent Name	Patent No. and Issue date or Application Number	Ownership
Aura™ and Core™	Apparatus and methods relating to high speed Raman spectroscopy	US 6,486,948 Issued: 26/11/2002	Exclusively licensed by Verisante
	In vivo raman endoscopic probe and methods of use	US 7,383,077 Issued:03/06/2008	Exclusively licensed by Verisante
	Apparatus and Methods for Characterization of Lung Tissue by Raman Spectroscopy	CA2786740 CN201180006587.1 EP11734310.3 IL220789 US13/521,218 IN 1716/MUMNP/2012 JP2012-549220 Pending, filed 21/01/2011	Exclusively licensed by Verisante
	Apparatus and Methods for In Vivo Tissue Characterization by Raman Spectroscopy	US13/516,715 CN201080062397.7 CA2784294 AU2010333666 EP10836883.8 IL220280 IN 1514/MUMNP/2012 RU2012128959 BR112012014789-7 JP2012543423 Pending, filed 17/12/2010	Exclusively licensed by Verisante
	Multimodal Detection of Tissue Abnormalities Based on Raman and Background Fluorescence	US13/671,483 Pending, filed: 7/11/2012	Exclusively licensed by Verisante

	Spectroscopy	CA2547460 Pending, filed 26/11/2004	
	Integrated spectral probe for Raman, Reflectance and Fluorescence Spectral Measurements	US61/764,899 Pending, filed: 14/02/2013	Exclusively licensed by Verisante
Multispectral Imaging	Rapid multispectral imaging methods and apparatus and applications for cancer detection and localizations	IN 2319/MUMNP/2012 AU2011229113 US13/635,682 EP11755609.2 RU201214382 IL221986 JP2012-557365 CA2793449 BR112012023287-8 CN201180024411 Pending, filed: 17/03/2011	Exclusively licensed by Verisante
ClearVu and ClearVu Elite	Methods and apparatus for fluorescence and reflectance imaging and spectroscopy and for contemporaneous measurements of electromagnetic radiation with multiple measuring devices	US 6,826,424 Issued: 30/11/2004	Owned by Verisante via asset purchase
	Methods and apparatus for fluorescence and reflectance imaging and spectroscopy and for contemporaneous measurements of electromagnetic radiation with multiple measuring devices	US 6,898,458 Issued: 24/05/2005	Owned by Verisante via asset purchase
	Imaging methods for fluorescence and reflectance imaging and spectroscopy and for	US 7,115,841 Issued: 03/10/2006	Owned by Verisante via asset purchase

	contemporaneous measurements of electromagnetic radiation with multiple measuring devices		
	Imaging systems for fluorescence and reflectance imaging and spectroscopy and for contemporaneous measurements of electromagnetic radiation with multiple measuring devices	US 7,190,452 Issued: 13/03/2007	Owned by Verisante via asset purchase
	Image detection apparatus for fluorescence and reflectance imaging and spectroscopy and for contemporaneous measurements of electromagnetic radiation with multiple measuring devices	US 7,253,894 Issued: 07/08/2007	Owned by Verisante via asset purchase
	Methods and apparatus for fluorescence and reflectance imaging and spectroscopy and for contemporaneous measurements of electromagnetic radiation with multiple measuring devices	JP4499354 Issued: 07/07/2010	Owned by Verisante via asset purchase
	Method and apparatus for measuring cancerous changes from reflectance spectral measurements obtained during endoscopic imaging	EP1845837B1 Issued: 29/05/2013	Owned by Verisante via asset purchase
	Method and apparatus for measuring cancerous changes from reflectance	CA2595213 CN101137322 JP2008528064	Owned by Verisante via asset purchase

	spectral measurements obtained during endoscopic imaging	Pending, filed 20/01/2006	

Regulatory Status

The Company's first product, Verisante Aura™ is approved for sale in Canada, Europe, Mexico and Australia. The Company is pursuing approval for Aura™ in Brazil and also US FDA approval. The timeframe on any additional approvals depends on the specific regulatory bodies in each jurisdiction.

The clinical study for lung cancer using Verisante Core™ has been completed. Verisante intends to pursue regulatory approval in Canada for the Core™ device for lung cancer after the results of the statistical analysis have been published in a peer reviewed journal.

Early stage clinical studies are also underway for colon and nasopharyngeal cancers and brain tumour margin deliniation using the Core™ technology.

The ClearVu and ClearVu elite prototype systems are complete and available for sale for research purposes.

COMPETITION

The Company's first product to market is Aura™ for the detection of skin cancer, and Verisante has identified several companies in the field of visualization and assessment of skin lesions that may provide direct or indirect competition to Aura™, as they provide devices to aid dermatologists in differentially diagnosing melanoma. These include:

- Caliber Imaging & Diagnostics (formerly Lucid Inc.) is a public US company (OTC: LCDX) headquartered in Rochester, New York. Their product, Vivascope, is a confocal imaging device that has been approved by the FDA for sale in the US. Vivascope is a device that images lesions for the detection of melanoma and other skin cancers. The images are then analysed by a pathologist for diagnosis.

- SciBase AB is a private Swedish company with a device known as the SciBase Electrical Impedance Spectrometer, or "SEIS" used to determine the malignancy of a mole. SciBase is currently engaged in a clinical study with the device. The product has not yet been approved by the FDA for sale in the US.

- MELA Sciences is a US public company (NASDAQ: MELA) headquartered in Irvington, New York. Their product is MelaFind®, which uses multispectral dermoscopy and computerized diagnostic algorithms for the detection of melanoma. MELA Sciences has conducted a pivotal clinical study of the MelaFind® device. MelaFind® has been approved for sale in the US and Europe.

RISKS AND UNCERTAINTIES

The Company has incurred operating losses of $3,345,796 for the year ended December 31, 2014 $4,909,075 (in 2013) and has a net loss of $3,233,406 ($4,896,112 in 2013) at December 31, 2014. The Company's ability to continue as a going concern is dependent on the profitable commercialization of its products or obtaining additional debt or equity financing to fund ongoing operations until profitability is achieved.

At December 31, 2014, the Company held cash of $339,611. Verisante expects these funds to be able to sustain operations until further financing can be secured, however given the Company's limited operating history, it is difficult to predict how the business will develop or its future operating results. There is no certainty of future profitability, and results of operations in future periods cannot be predicted based on results of operations in past periods. Generally, the securities of the Company should be considered a speculative investment.

Verisante is subject to risks and uncertainties associated with operation in the medical device industry and as a company engaged in development, regulatory, production and commercialization activity. The Company cannot anticipate or prevent all of the potential risks to its success, nor predict the impact of any such risk. To the extent possible, management implements strategies aimed at reducing or mitigating risks and uncertainties associated with its business.

Operating risks related to the Company and its business include, but are not limited to:

- Market acceptance of the Company's technology and products;
- The Company's ability to obtain and enforce timely patent protection of its technology and products;
- The Company's ability to develop, manufacture and commercialize its products competitively and cost effectively and according to regulatory standards of a variety of jurisdictions;
- The Company's ability to manage its competitive environment and impact of technological change and/or product obsolescence;
- The Company's ability to continue to raise capital to finance operations;
- The Company's ability to obtain regulatory approvals for its products;
- The Company's ability to attract and retain key personnel, effectively manage growth, and successfully integrate newly acquired businesses or technologies;
- The volatility of the Company's share price;
- Fluctuations in quarterly financial results;
- Unanticipated expenses or changes in business strategy;
- The impact of negative publicity;
- The impact of acts of god or other unforeseeable events, natural or human-caused which may cause interruptions, delays, shutdowns or damage at manufacturing facilities; and
- The dependence on suppliers to deliver components in a timely manner which may impair manufacturing or impact product sales.

2014 HIGHLIGHTS AND EVENTS

During the year ended December 31, 2014, the Company achieved the following:

In Q1, the Company launched a new product at SPIE Photonics West Conference in San Francisco, a Raman Spectrometer designed for the research market and expanded its intellectual property portfolio with the issuance of a Chinese Patent entitled "Methods and Apparatus for Measuring Cancerous Changes from Reflectance Spectral Measurements Obtained During Endoscopy Imaging."

The Company also completed a Private Placement for 2,915,000 Units at a price of $0.17 per unit for gross proceeds of $$495,635. Each unit consists of one common share and one warrant entitling the holder to acquire an additional common share at a price of $0.25 per share for a period of 24 months from the date of issuance.

In Q2, the Company announced a direct distribution strategy, recognized May as National Skin Cancer Awareness Month, announced Milestone completion of Core commercial prototype for the detection of lung cancer, and received the 2014 North American Technology Innovation of the Year Award from Frost & Sullivan.

The Company also partnered with the BC Cancer Foundation to showcase Aura™ for skin cancer detection and announced a non brokered private placement and letter of intent for exclusive sales and marketing rights in China.

In Q3, the Company welcomed two distinguished United States based dermatologists to the Company's advisory Board, Dr. Kenneth Beer and Dr. Philip Werschler, in preparation for filing for approval to market and sell Aura™ in the US, and presented at the 2nd Global Life Sciences Conference in Warsaw.

In Q4 the Company initiated communications with the FDA to discuss the market path for Aura™ in the United States and presented at the 2nd Emerging Medical Technologies Summit in San Francisco.

The Company also completed two private placements raising gross proceeds of $700,000 and issuing an additional 6,388,889 million common shares.

STRATEGIC UPDATE AND SUBSEQUENT EVENTS

Subsequent to December 31, 2014, the Company announced a collaboration with the BC Cancer Agency and Imperial College Healthcare NHS Trust for a study on brain tumour margin delineation using Verisante's Core device. Verisante also expanded its collaboration with Fujian Normal University in China to test a new endoscopic probe design.

In March 2015, Verisante also received approval to market and sell Aura™ in Mexico.

SELECTED ANNUAL FINANCIAL INFORMATION –

This section analyzes any significant changes in the audited financial statements for the year ended December 31, 2014, compared to those for the same period ended December 31, 2013.

There are a number of factors contributing to annual variations between the comparative periods disclosed in Table 1 below, the most significant of which is that the Company began manufacturing operations and recognizing revenues from the first sales of Aura™, its skin cancer detection device.

Prior to December 2012, the Company was largely in the transitioning phase from pure development to transfer to manufacturing.

Additional explanations for certain significant changes in the table below are as follows:

- Increase in general and administrative expenses in the period ending December 31, 2013 were largely due to an increase manufacturing operations, which resulted in hiring additional manufacturing personnel, leasing additional office and warehouse space and increases in Regulatory Affairs and Quality Assurance expenses.

- During the year end 2013, losses for the annual period increased as a result of the increased general administrative expenses

- During the year ending December 31, 2013, the Company began recognizing revenues from sales for the first time since the Company's inception.

The audited financial statements and the accompanying notes for the twelve month period ended December 31, 2014 (the "Financial Statements") are incorporated by reference herein and form an integral part of Management's Discussion and Analysis. The Financial Statements can be found on www.sedar.com. All financial information is reported in Canadian dollars unless otherwise noted.

Table 1 presents a summary of selected annual financial information for the three fiscal years to December 31, 2012

Selected Annual Results

Table 1	December 31 2014 (IFRS) $	December 31 2013 (IFRS) $	December 31 2012 (IFRS) $
Net Loss	(3,233,406)	(4,896,112)	**(3,510,756)**
Basic and diluted loss per share	(0.04)	(0.07)	**(0.05**)
Expenses	3,497,623	5,179,540	**3,544,431**
Net cash from financing activities	1,465,655	3,355,436	**1,020,750**
Total Assets	4,718,375	5,438,866	**6,826,346**
Total Liabilities	1,551,571	686,360	**793,679**
Total Stockholders' Equity	3,166,804	4,752,506	**6,032,667**

Table 2 presents two years of comparative selected quarterly results.

Selected Quarterly Results

Table 2	Q4 14 $	Q3 14 $	Q2 14 $	Q1 14 $	Q4 13 $	Q3 13 $	Q2 13 $	Q1 13 $
	(IFRS)	*(IFRS)*	*(IFRS)*	*(IFRS)*	*(IFRS)*	*(IFRS)*	*(IFRS)*	*(IFRS)*
Revenue	151,316	-	27,500	40,000	(78,000)	440,300	178,000	235,000
Research & development	6,154	8,978	19,358	11,076	45,310	8,227	19,134	35,903
Deferred Research & development	(28,962)	42,439	7,742	171,768	176,532	(47,645)	298,045	637,057
General & administrative	439,377	377,051	547,822	600,212	765,404	651,735	811,783	751,465
Loss for the period	795,510	717,927	678,733	1,041,236	1,830,646	749,031	1,139,845	1,176,590
Loss per share	0.01	0.01	0.01	0.01	0.02	0.01	0.02	0.02
Working capital	154,209	(49,455)	363,167	649,744	963,910	1,768,093	2,181,546	2,042,669
Total assets	4,718,375	4,684,405	5,130,401	5,150,479	5,438,866	6,112,505	6,646,301	6,831,065
Long-term liabilities	-	-	-	-	-	-	-	-
Capital stock	17,010,460	16,715,460	16,715,460	16,415,460	16,054,743	15,379,414	15,378,386	14,376,353
Shares outstanding (000's)	86,298	83,698	83,698	81,698	78,624	72,952	72,952	70,047

Revenues

Revenues are from the direct sale of an Aura™ device. The Company normally recognizes revenue when units are shipped, however, as a result of challenges in collecting on some accounts receivables, the Company now recognizes revenue only once the substantial risk of collecting has been minimized. The Company will also require certain customers to pay a deposit or make payment in full on any future orders before devices are shipped.

For the year ending December 31, 2014 the Company recognized revenue of $218,816 compared to $775,300 reported for the same period in 2013.

The terms of sale of Aura™ devices is EXWorks the Company's manufacturing warehouse and payment terms of net 30 days. The revenues above represent the sale of two Aura™ devices, one VRS research unit and the rental of one Aura™ device.

Expenses

Total expenses for the year ended December 31, 2014 was $3,497,623 in comparison to $5,179,540 for the same period in 2013, representing a decrease of $1,681,917. Expenses for 2014 include non cash expenses of amortization of $1,129,732 ($1,059,437 in 2013). The company expects total expenses to continue to decrease as the Company consolidates operations to preserve operating cash and focuses resources on sales and marketing to support revenue generating operations. General and Administration costs decreased as a result of consolidation of operations, from $2,980,387 in 2013, to $1,964,462 in 2014, representing a decrease of $1,015,925.

As the Company began to recognize revenue in 2013, it also faced challenges in collecting on accounts receivables from certain foreign customers. As a result a bad debt expense of $508,262 was recognized in 2013 and the Company changed its revenue recognition and also accounts payable policy to mitigate bad debt risk in the future. During the year ending December 31, 2014, the Company had no further bad debt expenses to recognize.

Salaries and Professional Fees decreased by $553,591 in 2014 as the Company consolidated operations to conserve cash.

Audit and accounting fees decreased marginally in 2014, from $61,155 in 2013 to $59,675 in 2014.

In 2014, promotional costs decreased from $213,320 in 2013 to $83,054 in 2014 as the Company focused less on promotional activities to preserve cash.

Rent decreased by $ 74,424 in 2014 over 2013 as the Company leased consolidated office spaces. Finally, general office expenses also decreased by $4,405, from $87,913 in 2013 to $83,508 in 2014 as a result of consolidation of office spaces and operations.

Table 3 details general and administrative costs as presented in Table 2.

General and Administrative

Table 3	December 31 2014 (IFRS) $	December 31 2013 (IFRS) $
Salaries	834,137	1,001,413
Professional and investor relations fees	456,085	843,108
Legal fees	12,615	14,782
Audit and accounting fees	59,675	61,155
Travel	67,022	169,138
Rent	80,891	155,315
Promotional costs	83,054	213,320
Regulatory and quality assurance	135,321	181,349
General office	235,663	340,826
Total	1,964,463	2,980,406

Royalties

The Company accrued $163,068 in royalties under the Licensing Agreement with the BC Cancer Agency during the year ended December 31, 2014, compared to $196,903 in 2013. As the Company begins generating sales from Aura™ devices, it expects royalty payments to increase.

Intangible assets

Intangible assets are stated at cost less accumulated amortization and are comprised of licenses, patents and acquired technology. Acquired technology consists of the cost of filing patents for in-house developed technology. Licenses include licenses or agreements that the Company has negotiated with third parties for use of third parties' technology.

Patents comprise trademarks, internally developed patents, as well as individual patents or portfolios of patents acquired from third parties. Costs capitalized and subsequently amortized include all costs necessary to acquire intellectual property, such as patents and trademarks, as well as legal defense costs arising out of the assertion of any Company-owned patents.
Intangible assets are amortized as follows:

Acquired technology	Straight-line over 2 to 5 years except for acquired in-process research and development costs which is expensed immediately as research and development
Licenses	Straight line over the life of the license (ranging 5 to 17 years)

Patents	Straight-line over 17 years or over estimated useful life

Share capital

The Company's authorized capital includes an unlimited number of common shares; an unlimited number of Class A preferred shares, and an unlimited number of Class B preferred shares.

As of December 31, 2014 the Company had 86,298,117 common shares outstanding and no preferred shares outstanding. Subsequent to the year ended December 31, 2014, the Company issued an additional 3,888,889 common shares at $0.09 per share for gross proceeds of $350,000 in a private placement offering.

Stock based compensation

The Company has a stock option plan that provides for the issuance of options to its directors, officers and employees. The maximum number of outstanding options must be no more than 6,617,468 options at any point in time. The term of the options must be no longer than 10 years and the directors determine the vesting period.

The following table summarizes information about the options at December 31, 2013 and 2012, and the changes for the year then ended:

	2014		2013	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Options outstanding – Beginning of year	4,689,570	0.36	4,814,570	0.36
Granted	1,825,000	0.15	600,000	0.48
Exercised	-	-	(525,000)	0.32
Cancelled / Expired	(1,250,000)	0.36	(200,000)	0.64
Options outstanding – End of year	5,264,570	0.29	4,689,570	0.37

Amounts receivable

These are accounts receivable and amounts due incurred in the regular course of business.

Sales taxes receivable

All sales taxes receivable are from GST/HST.

Inventory

When research and development results in a commercially viable product and the Company has undertaken steps to produce products available for sale, such parts and related costs are deferred as inventory. Inventory represents raw materials, work in process and finished goods.

Office facilities and equipment

The Company deferred costs in relation to computers, software and the development of research and development equipment.

Accounts payable and accrued liabilities

All accounts payable are trade payables incurred in the normal course of business.

Contributed surplus

Contributed surplus represents the cumulative cost of contributed services, options issued and not exercised, warrants issued for services and not exercised, and share based payment award.

Liquidity and Capital Resources

The Company finances it operations and capital expenditures through equity financings. At December 31, 2014, the Company had cash and short term deposits of $339,611 as compared to cash and short term deposits of $455,422 at December 31, 2013.

At December 31, 2014, the Company had a working capital of $154,209 compared to a working capital of $963,910 at December 31, 2013. The decrease in working capital in 2012 is due to less cash from financing activities in 2014 than 2013 and the increase in accounts payables and accrued liabilities.

Cash used in operations was $1,388,479 for the year ended December 2014, as compared to $3,428,797 for the same period in 2013. The decrease in cash usage in 2014 as compared to 2013 is primarily the result of the Company's consolidation of operations.

Net cash used in investing activities was $192,987 for the year ended December 31, 2014 as compared to $91,980 for the same period in 2013. At December 31, 2014, the Company held $0 in short term investments and $2,988,244 in intangible assets as compared to $0 in short term investments and $3,683,327 in intangible assets at December 31, 2013.

Net cash provided by financing activities was $1,465,655 for the year ended December 31, 2014, compared to cash provided of $3,355,436 for the same period of 2013. Subsequent to the year ended December 31, 2014, the Company raised additional gross proceeds of $350,000 through a private placement financing.

Financing and Cash Flow

During the year ended December 31, 2014, the Company raised gross proceeds of $1,495,635 in additional financing through the issuance of common shares through private placement financings.

The Company has allocated the proceeds of the financings to go towards manufacturing costs of Aura™ in addition to sales and marketing efforts to support Distributors of Aura™, to cover general and administrative costs and to fund anticipated negative operating cash flow in future periods.

As Verisante continues to have negative operating cash flow, it may be necessary for the Company to raise additional equity or debt if it cannot achieve positive cash flow. There is no assurance that the additional equity or debt will be available on terms acceptable to the Company.

Commitments, Long-term Liabilities and Other Transactions

Management has no current lease obligations, other long-term debt commitments, capital lease obligations, purchase obligations or off–balance sheet transactions.

The Company is currently renting two office spaces, one for manufacturing and production and one for its head office on a month to month basis.

Related Party Transactions

The Company's transactions are in the normal course of business and are recorded at the exchange amount.

At December 31, 2014, the Company is indebted to the Chief Executive Officer ("CEO") of the Company for $187,500 (2013 - $nil) for accrued salary. The balance has been included in accounts payable and accrued liabilities, is unsecured, non interest-bearing and due on demand.

At December 31, 2014, the Company is indebted to the Chief Financial Officer ("CFO") of the Company for $88,166 (December 31, 2013 - $nil) for accrued salary. The balance has been included in accounts payable and accrued liabilities, is unsecured, non interest-bearing and due on demand.

During the year ended December 31, 2014, the Company incurred salary of $250,000 (2013 - $250,000) to the CEO of the Company and $132,250 (2013 - $132,251) to the CFO of the Company.

During the year ended December 31, 2014, the Company recognized $102,400 (2013 - $196,913) of stock-based compensation for officers and directors of the Company.

Proposed Transactions

The Company is not party to any transaction requiring additional disclosure.

Controls and Procedures

Disclosure of Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this MD&A,

management evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities law.

Based on that evaluation, management has concluded that, as of the end of the period covered by this MD&A, the disclosure controls and procedures were designed to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. However, as a result of control weaknesses noted below, management has concluded that the disclosure controls are not effective.

Management Control over Financial Reporting

Management of the Company is responsible for designing internal controls over financial reporting, or causing them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with International Financial Reporting Standards.

As a result of the Company's assessment of the design of its internal controls over financial reporting, discussed below, the Company's management has concluded that there is only a remote likelihood that a material misstatement would not be prevented or detected. Management and the board of directors work to mitigate the risk of a material misstatement in financial reporting; however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

The Company has identified potential control deficiencies within its accounting and financial function and its financial information systems over segregation of duties. Specifically, certain duties may not be properly segregated due to the small number of individuals employed in this area. However, management has concluded that considering the employees involved and the control procedures in place, including management and Audit Committee oversight, risks associated with such lack of segregation are not significant enough to justify the expense associated with adding a number of employees to clearly segregate duties. Management is aware that in -house expertise to deal with complex taxation, accounting and reporting issues may not be sufficient. The Company utilizes, and will continue to utilize, outside assistance and advice on new accounting pronouncements and complex accounting and reporting issues, which is common with companies of a similar size. In addition, the information technology function is currently handled in-house, but the Company is supported by third party professionals to implement some program changes and system upgrades. Management is of the opinion that none of these control deficiencies has resulted in a material misstatement to the financial statements.

As the Company grows, management plans to further expand the number of individuals involved in the accounting function. At the present time, the Chief Executive Officer, and Chief Financial Officer oversee all material transactions and related accounting records. In addition, the Audit Committee reviews the financial statements and key risks of the Company and queries management about significant transactions on a quarterly basis.

Critical Accounting policies and estimates

The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities at the date of the financial statements as well as the reported amount of revenues and expenses and related disclosures of the reporting periods. The reported amounts and note disclosures are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned course of action. Actual results could differ from those estimates used in the preparation of the financial statements.

Significant judgments made by management in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements include the application of the going concern assessment and the determination of useful lives of patents and licenses.

Significant areas requiring the use of management estimates relate to the assessment for impairment and useful lives of intangible assets, determination of fair value of the warrants and shares issued in relation to a public equity offering, estimation of accrued liabilities and determination of the fair value of share-based compensation. Management believes that the estimates and assumptions are reasonable based upon information available at the time that these estimates and assumptions were made.

The Company's financial statements have been prepared under the assumption that the Company will continue as a going concern which contemplates that it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has sufficient cash resources available to meet its obligations for at least twelve months from the end of the reporting period. The Company has funded its losses with external debt, share issuances, government grants and working capital.

Intangible Assets

The Company's intangible assets are comprised of acquired technology, patents and licenses. The cost of the Company's intangible assets is amortized on a straight-line basis over the estimated useful life ranging from 15 to 17 years. Factors considered in estimating the useful life of intangible assets include the expected use of the asset by the Company, legal, regulatory and contractual provisions that may limit the useful life, and the effects of competition. Costs incurred to establish and maintain patents for intellectual property developed internally are expensed in the period incurred.

The Company reviews the carrying value of long-lived assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In accordance with IFRS, these evaluations consist of comparing each asset's carrying value with the estimated discounted future net cash flows expected to be generated by the asset. Impairment is considered to exist if the total estimated future discounted cash flows are less than the carrying amount of the assets. The resulting impairment loss is measured and recorded based on the difference between future discounted cash flows and book value. In accordance with IFRS if, subsequent to

impairment, an asset's discounted future net cash flows exceeds its book value, the impairment previously recognized can be reversed. However, the asset's book value cannot exceed what its amortized book value would have been had the impairment not been recognized.

Research and Development Costs

Research and development costs are expensed as incurred unless they meet IFRS criteria for deferral and amortization. Costs are assessed to determine if they have met the relevant criteria for deferral and amortization at each reporting date.

Share-based Compensation

The Company uses the fair-value based method of accounting for share-based compensation for all awards of shares and share options granted. Under the fair value based method, share-based awards to employees are measured at the fair value of the equity instrument issued as of the grant date using the Black-Scholes model and estimated forfeitures. The application of this pricing model requires management to estimate several variables, including the period for which the instrument is expected to be outstanding, price volatility of the Company's stock over the relevant timeframe, the determination of a relevant risk free interest rate, assumption regarding the Company's future dividend rate policy and estimate of the number of awards that will vest. Changes in one or more assumptions could materially impact the value derived for these equity instruments.

At each reporting date, the Company reassesses its estimates of the number of awards that are expected to vest and recognizes the impact of any revision in income.

FUTURE ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for annual periods beginning after January 1, 2012 or later periods.

The following amendments, revisions and new IFRSs that have not been early adopted in these financial statements, will not have an effect on the Company's future results and financial position:

i) IFRS 9, *Financial Instruments* (New in 2010; to replace IAS 39 and IFRIC 9)

ii) IFRS 10, *Consolidated Financial Statements* (Amendments)

iii) IFRS 12, *Disclosure of Interests in Other Entities* (Amendments)

iv) IAS 27, *Separate Financial Statements* (Amendments)

v) IAS 32, *Financial Instruments: Presentation* (Amendments)